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IN THE

Supreme Court of the United States

OCTOBER TERM 1956.

No. 215

COLGATE-PALMOLIVE COMPANY,
Petitioner,

v.

CARTER PRODUCTS, INC., JOSEPH G. SPITZER and MARVIN SMALL,
Respondents.

REPLY BRIEF OF PETITIONER.

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CARTER PRODUCTS, INC., JOSEPH G. SPITZER and MARVIN SMALL,

Respondents.

REPLY BRIEF OF PETITIONER.

Respondents do not seriously deny the existence and importance of the issues of law which our petition shows are raised by the decisions below.

Instead respondents seek to avoid review of these issues by advancing three obstacles to the granting of certiorari at this time.

Respondents' first point is that our petition for certiorari is based upon the "false premise" that the Court's second decision "modifies, amends, or construes" the first decision of the Court below.

Our answer to this erroneous contention appears on pages 2 to 4 below.

Respondents' second point is that the Court of Appeals "did not in fact limit the scope of the patent claims in either the 1956 or the 1957 decision".

As to this there is no dispute between petitioner and respondents. The second decision of the Court of Appeals definitively asserts that it did not intend by its first decision to limit the scope of the claims. Obviously the Court of Appeals is the ultimate authority as to what is meant by its own decision.

As pointed out below it is this very construction of the Court's first decision that provides the basis for our petition for certiorari.

Respondents' third and final point is that "This Court has already refused to review validity of the patent on the same grounds as those presented in the new petition".

We do not presume to know why this Court denied certiorari with respect to the first decision.

As pointed out below, pages 3-4, the second decision states for the first time the Court's view as to the scope of the claims for purposes of infringement. Furthermore it reveals for the first time that inherent in the first decision was the application of highly questionable principles for the appraisal of claim validity.

The Ambiguity of the First Decision.

The respondents cannot deny the statements in the first decision of the Court of Appeals which gave rise to a serious ambiguity as to what the Court intended the scope of the claims to be for purposes of infringement.

In our petition we pointed out that on each occasion when the Court described the invention, whether in reciting its history or in appraising it against the prior art, the Court treated it as if it were a pressurized shaving cream of particular composition. Indeed, one of the fulcrum premises of its finding of invention was the months of research that it took to arrive at the composition of the patent.

We showed that on the other hand the claims of the patent cover any common soap solution with the most common commercial propellant gases in every practicable proportion in any pressure container whether suitable for shaving or not. We pointed out that the conception and reduction to practice of such combinations not only did not require months of research but in fact were accomplished after only a few days of routine laboratory testing.

We also pointed out that the claims of the patent include within their scope combinations such as those using Freon 11, which the Court concluded would not work. We noted that the Court in its first opinion treated the discarding of such compositions as a part of the inventive process of the patentees.

This disparity between what the Court treated as being inventive and what was in fact embraced within the claims gave rise to an obvious uncertainty as to what the Court intended as to the scope of the claims for purposes of infringement.

One reasonable possibility was that when faced with an issue of infringement, the Court would narrow the claims to conform with its restricted definition of the invention.

It was on this possibility that our motion to reopen the stipulation as to infringement was based.

The Significance of the Second Decision of the Court of Appeals.

The significance of the second decision of the Court of Appeals is that the Court, without in any respect reviewing or revising the theory upon which it upheld patentability, held that, for purposes of infringement, the claims were to be given their broad literal scope.

Thus, as pointed out in our petition, the second decision revealed for the first time that inherent in the Court's decision as to validity were principles of claim appraisal of great importance to the patent law.

The first issue so raised is whether a court may uphold the validity of broad combination claims upon a determination of the patentability of only the preferred combination of the patentees.

The second issue so raised is whether a court may hold valid broad combination claims which embrace combinations which can be made practical only after further research.

In resolving the ambiguity of the first decision, the second decision had a direct and obvious impact upon the parties litigant. It directly affects the scope of the injunction issued by the District Court and the scope of the accounting proceedings.

Furthermore, it has direct effect upon strangers to the litigation since it subjects them to the danger of a preliminary injunction for any activity falling within the literal scope of the claims.

The Grounds of This Petition Differ from Those Presented in Connection with the First Decision of the Court of Appeals.

The second decision of the Court of Appeals has greatly increased the importance of review of the case below by this Court. At the time of the first decision, no one could be clear as to what consequences the Court of Appeals intended as to the scope of the claims of the patent or on what basis the validity of the claims had been upheld.

As pointed out, one possibility was that the Court had actually intended to narrow the claims to conform them

with the Court's restricted definition of the invention. If this were so, the impact on the public interest would be slight.

A second possibility was that the Court was simply in error in its conception as to the meaning of the technical language of the patent claims. Again, although the consequences to the parties litigant might have been serious, the impact of the decision on the general public would be necessarily restricted.

In view of the second decision, however, it is plain that the determination of the Court below accords to the patentees a monopoly of sweeping scope and upon principles of law which are highly questionable and merit this Court's review.

Correction of Misleading Statements.

There are a few instances in the brief in opposition where counsel appear through inadvertence to have given an incorrect impression of the actual state of the facts. These instances are discussed below.

The Freon 11 Combinations.

At the bottom of page 10 the respondents advance an argument which appears to contain two erroneous implications as to Freon 11. They seem to imply that Freon 11 is in fact workable as a propellant for a pressurized shaving cream. They also seem to imply that Freon 11 is not included within the claims.

Actually the Court of Appeals found that Freon 11 combinations produce "a smarting, skin-irritating product unsuitable for shaving" (Petition, App. B, p. 3b).

This finding was based on respondents' own clear-cut representation to this effect in their brief to the Court of Appeals. There they state as to Freon 11 combinations:

> "This smarting effect on the skin of the human face was beyond all prior experience with Freon propellants, yet was completely inimical to a useful and saleable shaving product." (Brief on Appeal, p. 11).

There can be no question that Freon 11 combinations are actually embraced within the scope of the claims. They are, as pointed out in our petition, actually covered by all but three of the twenty-one claims of the patent.

Ground of the Second Decision of the Court of Appeals.

Respondents' brief suggests that the ground for the second decision of the Court of Appeals was that Colgate was bound by its decision to narrow the fight to the issue of validity. It is stated that the "court need not have written any more."

Examination of the Court's opinion, however, reveals that the passage respondents refer to comes after the Court had indicated that it had not intended to narrow the claims. The passage thus does no more than indicate the inevitable conclusion following from this statement.

It is wholly speculative whether the Court would have granted relief from the stipulation if it had in fact intended to narrow the claims. The probability is that relief would have been granted. See *Maryland Casualty Co.* v. *Rickenbacker*, 146 F. 2d 751, 753 (4th Cir. 1944).

Unlikelihood of Further Litigation.

Respondents assert on page 11:

> "Pages 7-8 of our brief in opposition showed there are numerous companies outside the 4th Circuit who could easily litigate the patent in suit if they so desired. This is still true today."

This should be compared with the statement appearing on the very next page of the brief in opposition where the respondents say:

> "Except for Colgate, now masking as champion of the public interest, the vast majority of the trade—from the small door-to-door vendors like W. T. Rawleigh Co. to the giants such as American Home Products and Procter & Gamble—recognizing the basic advance and worth of the patent, have voluntarily taken licenses."

Thus the "vast majority" of those who would have an interest in litigating the patent are by respondents' own admission barred from doing so.

The only other pending litigation with respect to the patent—the New York *Mennen* suit—is stated by respondents to have been adjourned at plaintiff Mennen's request. It is added that the "case presumably will be prosecuted to finality".

The respondents have presented a somewhat more revealing statement as to the status of the *Mennen* suit in a prospectus dated July 23, 1957 where they state:

> "A suit by The Mennen Company attacking the Company's patent on pressurized shaving lather has been pending in the United States District Court for the Southern District of New York since March 18, 1955. The New York court has deferred action in this case awaiting final outcome of the above proceedings with Colgate, in which the Mennen pressurized shaving lather product has been held to infringe the Company's patent."

The reference to the above proceedings is either to this petition for certiorari or the determination of the entire

action. Obviously the parties are awaiting the determinations as a basis for settlement.

Oppressive Licensing.

The respondents suggest that the provisions of the license agreement requiring payment of royalties until at least 1970 and requiring an acknowledgment of validity are not unusual.

Actually the provisions we referred to read as follows:

> "LICENSEE acknowledges the validity of the patents licensed hereunder and agrees during the existence of this Agreement not to infringe or to contest the validity thereof nor at any time willingly to aid others in the infringing or contesting the validity thereof.
>
> "LICENSEE may not repudiate, cancel or terminate this Agreement other than as provided under the terms hereof.
>
> "No challenge to the validity of, nor holding of, invalidity with respect to U. S. Patent No. 2,655,480, or any claim or claims thereof, shall relieve the LICENSEE of the obligation to pay to the LICENSOR the royalties provided in this Agreement on the LICENSEE's sales of the Licensed Product."

So far as we know a provision which compels the licensee to pay royalties even after a final determination of invalidity is most unusual.

The respondents also assert that the licensee is not required to pay royalties as to products not covered by the Spitzer claims. A careful reading of the license agreement demonstrates that this is not the fact.

Royalties are payable with respect to the sales of licensed products. "Licensed product" is defined as follows:

> "'LICENSED PRODUCT'—a package containing a pressure-propelled self-generating lather composition particularly designed for and limited to shaving lather."

This is to be contrasted with the earlier form of license agreement of respondents where the licensed product was defined as follows:

> "'LICENSED PRODUCT'—a package containing a pressure-propelled self-generating lather composition particularly designed for and limited to shaving lather, coming within a claim or claims of 'THE PATENTS'.
>
> "'THE PATENTS'—United States Patent No. 2,655,480, any reissues thereof or improvements thereon."

It is to be noted that the earlier license agreements specified a royalty of 5% and contained a most-favored-nation clause. What respondents have characterized as their present "standard" license agreement omits the most-favored-nation clause. The royalty rates are higher than before and vary apparently in inverse ratio to the relative size and bargaining power of the licensee.

Thus, in fact, the respondents are now engaged in using the leverage of the decisions below to secure agreements which will immunize them from any future determinations either restricting the scope of their patent claims or invalidating those claims in part or *in toto*.

Conclusion.

The decisions below raise important issues of patent law relating to the determination of patent validity.

They have an immediate effect on a substantial segment of industry involved in the manufacture and sale of pressure-propelled soap products.

The possibility that the patent here involved will be brought to this Court's attention by reason of a conflict of circuits as to validity is most remote.

Accordingly, this Court should exercise its discretion and grant the writ of certiorari for which petitioner prays.

Respectfully submitted,

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